CANRON LIMITED

Annual Report 1975

60 Years of Growth

The year 1975, with record sales and earnings, marks the company's 60th year of operation.

Canron, a Canadian owned and managed corporation, has grown from what was basically an iron pipe and foundry operation at four plants to an international manufacturer of iron, concrete and plastic pipe, foundry products, machinery for heavy industry, railway track maintenance equipment, and fabricator and erector of structural steel. Of its current total of 24 manufacturing plants, seventeen are in Canada, three in the U.S., two in Switzerland and one each in Italy and Australia.

Though the company traces its origin to the middle of the last century, when the Radnor Iron Works was established near Trois-Rivières, Quebec, its modern history dates from the incorporation of Canada Iron Foundries Ltd. in 1915.

The company's sales in 1916 were less than $2,000,000. Over the ensuing decades this business has been expanded to $366,000,000 by a vigorous policy of product and sales development and acquisitions. In the 1930s, the company entered the concrete products industry and today is a major supplier of large diameter concrete pressure pipe for water distribution systems. In the 1940s, a warehousing and distribution network was acquired to supply Canadian industry with the raw materials and products of major Canadian, U.S., and European companies. In the 1950s, the company began to produce railway track maintenance equipment, and today is one of the largest manufacturers of these specialized rail vehicles in the world. Also in the 1950s the company began to fabricate and erect structural steel for buildings, bridges and industrial installations.

During the past 15 years the company has expanded its operations in foreign markets, acquiring and establishing plants in the U.S., Europe and Australia. In 1968, the name of the company was changed to Canron Limited to reflect the growing number of product lines and markets in which it was conducting business.

The company has ten operating divisions, each of which, with the exception of the sales agency operation, is part of one of the three distinct product groups described in this report.

Canron intends to continue the policy of maximizing the use of existing manufacturing and marketing expertise and to seek opportunities for profitable growth in the years ahead.

Highlights

The year 1975 produced record sales and earnings and significant improvements in the financial position of the company.

		(in thousands of dollars – except per share figures) 1975	1974	Increase (Decrease)
Sales		**$365,950**	$325,718	12.4%
Earnings (before extraordinary)		**$ 13,565**	$ 11,212	21.0%
Capital expenditures		**$ 9,420**	$ 10,870	(13.3)%
Working capital		**$ 60,520**	$ 46,869	29.1%
Bank advances and notes payable		**$ 20,772**	$ 51,394	(59.6)%
Long-term debt		**$ 34,472**	$ 32,253	6.9%
Shareholders' Equity		**$ 66,047**	$ 58,677	12.6%
Per common share				
Earnings (before extraordinary)		**$ 5.31**	$ 4.39	21.0%
Net earnings		**$ 4.41**	$ 4.03	9.4%
Dividends paid		**$ 1.30**	$ 1.20	8.3%
Book value		**$ 24.16**	$ 21.15	14.2%
Earnings (before extraordinary) as % of sales		**3.7%**	3.4%	8.8%
Quarterly sales	First	**$ 81,087**	$ 57,140	41.9%
	Second	**$ 89,023**	$ 73,868	20.5%
	Third	**$ 87,509**	$ 82,243	6.4%
	Fourth	**$108,331**	$112,467	(3.7)%
Quarterly earnings (before extraordinary) per common share	First	**$ 0.78**	$ 0.71	9.9%
	Second	**$ 0.95**	$ 0.95	–
	Third	**$ 1.00**	$ 1.05	(4.8)%
	Fourth	**$ 2.58**	$ 1.68	53.6%

Market prices* per common share

	1975 High	Low	Close
First quarter	**$19**	**$15¾**	**$17¼**
Second quarter	**19**	**16½**	**19**
Third quarter	**20¼**	**17**	**19**
Fourth quarter	**19⅛**	**17**	**18**
Year	**20¼**	**15¾**	**18**

	1974 High	Low	Close
Year	$23¾	$14⅛	$15

*Toronto Stock Exchange

Directors' Report to the Shareholders

H. J. Lang, Chairman of the Board and Chief Executive Officer

C. S. Malone, President and Chief Operating Officer

Canron's 60th Annual Report records a year of very satisfactory performance, with further improvements in many aspects of the company's operations and financial results. For the sixth consecutive year sales and earnings continued their upward trend to new record highs. This was accomplished under mixed economic conditions in domestic and foreign markets. The principal reasons for these improvements were a concentration of efforts to raise the return on operating investment, and the allocation of company resources to those areas of business having realistic opportunities for profitable growth.

Financial

Sales of $366 million were up 12% over the previous year with no significant change in the 3 to 1 relationship between the Canadian and foreign sales volume. The sales increase in 1975 was particularly strong in the railway equipment group, in the structural steel fabricating operations and in the Canadian iron and concrete pipe division. The completion of several large contracts carried over from previous years decreased the backlog of orders during the year to $193 million at December 31, 1975. It is expected that over 70% of this work will be completed within the current 12 months.

Earnings per common share before the extraordinary item were $5.31, an increase of 21% over the previous year. The relation of earnings to sales continued to improve and was 3.7% compared with 3.4% a year earlier, and the highest return since 1966. With the present product lines and business locations, the company's target is at least 4%.

Of equal importance to the gains in sales and earnings was the substantial progress made during the year towards enhancing the company's financial position. Working capital was up 29% to $60.5 million, with a current ratio of 1.8 to 1 against 1.4 to 1 in 1974. Short-term debt was reduced by 60% and corresponded to 15.3% of inventories and receivables at year end. The book value of common shares rose to $24.16 from $21.15 last year, and the equity portion of the long-term debt/equity ratio improved to 66% from 65% last year.

These improvements, in a year when no major long-term debt or equity financing was undertaken, resulted principally from greater emphasis on the management of operating investment. The proceeds from the sale of the Warren Pipe Division also contributed to the reduction of short-term loans. This Division had a history of unsatisfactory results due to an unfavourable plant location and limited market area compared to other producers having well-established distribution networks.

Dividends

From 1966 to 1973 the quarterly rate of dividends on common shares was unchanged at 25 cents. The rate was increased to 30 cents in October 1974 and was maintained for the first three dividends distributed in 1975. The quarterly dividend paid on October 1, 1975 was increased to 40 cents. These increases reflect the company's practice of adjusting the dividend rate to the average profit earned over a number of years. This policy provides a satisfactory payment to the shareholders and also retains a reasonable amount of earnings for reinvestment in support of continued growth in the company's operations. The current 40 cents quarterly dividend was declared in August 1975 and paid prior to enactment of the anti-inflation legislation which imposed restrictions on further Increases in dividends declared after October 13, 1975.

Capital Expenditures

Spending on capital assets in 1975 totalled $9.4 million with half the amount going for expansion and modernization of iron and concrete pipe and railway track maintenance equipment plants. The remainder was spread over the other operations of the company and included a number of important environmental and cost reduction projects.

Capital expenditures in 1976 are currently estimated to exceed $15 million and include a major expenditure for the construction of a "Hyprescon" concrete water pipe plant in Alberta. Relatively large sums are budgeted for expansion of manufacturing facilities at the Pacific Press and Plastic Pipe Divisions. Improvements and additions to operating equipment in the Foundry, Mechanical and Structural Divisions will account for most of the remaining allocation. Although the year's planned expenditures are higher than normal, they can be financed mainly by internal cash flow.

With the significant improvement in the company's financial position and the outlook for more favourable financial markets, it is now feasible to reactivate an acquisition program as a potential means of contributing to Canron's corporate development and growth. A relatively small move in this direction was taken in February 1976 with the purchase of Star Iron and Steel Company, Tacoma, Washington. Star designs and manufactures port container and other specialty cranes, and will be operated as a unit of Western Bridge Division. This acquisition is in keeping with the company's intention of favouring participation in businesses that will utilize or complement the particular expertise and competence available within the Canron organization.

Personnel

Canron's basic managerial philosophy is to decentralize operating decisions through the delegation of authority and the establishment of investment and operating performance criteria. The success of this type of organization structure is determined by the quality, attitude and example of the key personnel. We are fortunate in having very capable and dedicated managers and well-qualified employees who respond to and favour this system. We are pleased to express appreciation for the personal contribution of these employees to the fine results achieved in 1975.

World-wide growth of our railway track maintenance equipment business and the resulting need to increase the coordination of these operations resulted in the establishment in May 1975 of the international railway equipment group. J. K. Stewart, president of the Tamper Division, was appointed a corporate vice-president, with responsibility for all of the company's railway equipment operations.

Directors

Mr. Charles L. Gundy, having served as a distinguished and valued member of the Board of Directors for twenty-five years, retired in accordance with the company's statutory age limitation. Mr. Thomas M. Galt, F.S.A., F.C.I.A., president and chief executive officer of Sun Life Assurance Company of Canada, was elected to fill the vacancy at the August 27th meeting of the Board.

Anti-Inflation Program

Under the terms of the Anti-Inflation Act and Regulations which came into effect October 14, 1975, Canron is amongst the approximately 6,000 companies subject to restrictions and controls on employee compensation, prices, profit margins and dividends. In addition, our firm has been designated as one of the 100 large Canadian companies which have a major role in the attack on inflation and are required to have authorization from the Anti-Inflation Board before increasing prices of principal product lines.

Business must support this legislation by playing a positive and substantial role in these measures to curb inflation. However, we believe that a program of restrictions on businesses, employees and shareholders designed to combat inflation should be implemented only on a temporary basis and in no way be regarded as a substitute for appropriate government fiscal and monetary policies. Legislated control of profits and wages, if kept in force for too long a period, will inevitably disrupt normal business growth, employment opportunities and future capital investment of Canadian businesses including Canron.

Since the introduction of the Anti-Inflation Act, a tremendous amount of confusion has resulted because of the difficulties of interpretation and application of the regulations. Companies have been obliged to assign key senior personnel to the full-time work of gathering and supplying the voluminous amount of data required. This is causing considerable disruption to normal business activities and additional expense. It is important that the reporting procedure be reassessed to establish more practical limitations on the type and amount of information required to satisfactorily monitor compliance with the program.

Business Outlook

A certain amount of earlier enthusiasm for a healthy growth in the capital goods industries has been dampened by recently announced cancellations and delays of utility and other construction projects. This has resulted from the careful reassessment of immediate requirements by private industry and government agencies. Under these conditions and the confusion caused by the anti-inflation legislation it is most difficult to present a reasonably accurate forecast of the company's future performance. However, because of our business diversification, the elimination of unprofitable operations, a healthy backlog of orders and prospects of reduced short term loan expense, it appears reasonable to expect that the company's 1976 results should equal the previous year.

On behalf of the Board,

H. J. Lang

Chairman and Chief Executive Officer

President and Chief Operating Officer

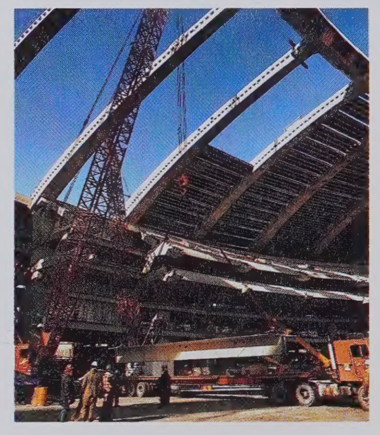
Montreal, Que.
March 31, 1976

Operations

Structural and Machinery Group

Erection of precast concrete sections at the Olympic Stadium, Montreal.▽

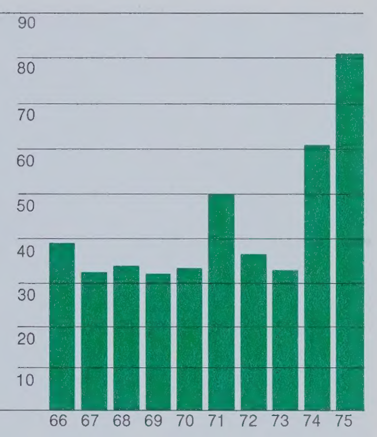
Erection of structural steel at the Royal Bank Plaza, Toronto.△



Part of a large cylinder mould drum at Trois-Rivières plant.△

Night scene – widening and resurfacing of the northern approach to Vancouver's Lions Gate Bridge.▷

Structural Sales
(in millions of dollars)



Eastern Structural Division
Western Bridge Division
Mechanical Division
Pacific Press & Shear Company

In 1975 a company reorganization brought Pacific Press & Shear to this group. It was also the first full year of Eastern Structural Division's operation of Standard Structural Steel Ltd., Montreal, which was acquired in 1974.

All Divisions in the group posted strong growth in sales and earnings, despite slowdowns in some Canadian markets in the latter half of the year. Actual and potential export sales, often tied to funding by the federal government's Canadian International Development Agency or Export Development Corporation, account for an increasing amount of the group's activity.

There was considerable easing of the material shortages which were experienced in 1974, thus alleviating some production and delivery problems. Materials are expected to remain in plentiful supply throughout 1976.

Eastern Structural

Assisted by a heavy backlog of orders carried over from 1974 and an active market in the first quarter of 1975, Eastern Structural had a very successful year. A deteriorating trend in market conditions was experienced as the year progressed and this is expected to carry over into 1976.

Standard Structural Steel contributed significantly to both sales and earnings. This acquisition has made it possible to pursue contracts in the Quebec and Maritime markets more aggressively.

Eastern Structural has a contract to erect some 100,000 tons of precast concrete sections and the metallic roof to fill in between the massive ribs of Montreal's Olympic Stadium. This was one of the major contracts received by the Division in 1975. Others of interest include installations at plants for Dofasco and Texaco in Ontario and Sidbec-Dosco in Quebec, an Ontario Hydro generating station at Thunder Bay and a process plant at Soroako, Indonesia for P. T. International Nickel Indonesia.

Three large projects were completed during the year: the Bruce Nuclear Generating Station for Ontario Hydro, 45,000 tons over four years; the First Bank Tower, Toronto, 44,000 tons; and the CN Tower in Toronto, the world's tallest free-standing structure, for which the Division fabricated and erected the upper accommodation pod and the 335 ft. antenna.

Western Bridge

Sales and earnings of Western Bridge Division in 1975 increased substantially over 1974. It was a highly satisfactory year.

The outlook for 1976 is not quite so bright. Prior to the year-end election in British Columbia, estimates of spending plans by primary industry indicated a slowdown in capital expenditures. It is not yet clear whether the change of government will affect these plans. Cutbacks in energy investment are also evident throughout Western Canada.

The $7 million contract to widen and resurface the northern approach to Vancouver's Lions Gate Bridge was successfully completed in 1975. Work was finished or progressed satisfactorily on a number of major projects previously announced.

New contracts received during the year included a surge pile structure, boiler building and 16 hoppers for Syncrude's Athabaska Tar Sands project; urea and nitrate plants in Alberta; and diversion and draft tube gates for B.C. Hydro.

The Division acquired the assets of Star Iron and Steel of Tacoma, Washington, and completed the installation of four container cranes on the U.S. west coast and won a contract to supply two missile cranes for U.S. Navy destroyers.

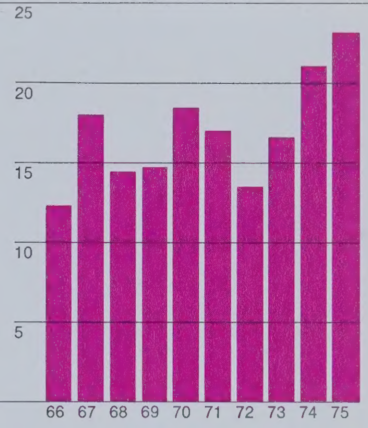
Mechanical

Mechanical Division substantially improved its performance despite adverse conditions in some of its Canadian markets. Domestic orders for pulping and rolling mill equipment and pipeline valves declined as the industries concerned deferred capital investment.

Export business was exceptionally strong, accounting for about half of the Division's production in 1975. Work continued on the fabrication of 56 harbour cranes which are being installed in Kenya and Tanzania by the Western Bridge Division. This contract will continue through 1976. Contracts were acquired in 1975 to supply pulping equipment to plants in Argentina and Cuba, and rolling mill equipment in the United States.

Looking to the future, a new department was set up to fabricate titanium, a metal which is being applied with increasing frequency to equipment used in highly corrosive conditions.

Machinery Sales
(in millions of dollars)



The backlog of orders for 1976 is not as substantial as it was entering 1975, but activity is expected to pick up through the year and an increase in sales is projected. A special group, formed last year to seek contracts for specialized large machines and equipment, has identified several opportunities which should come to fruition in 1976.

Pacific Press

Pacific Press is a world leader in the design and manufacture of hydraulic press brakes and shears for the metalworking industry. Last year's sales and earnings were the best ever despite an industry-wide reduction in machine tool purchases.

Pacific's success in a generally depressed market can be attributed partly to the increased emphasis on safety in industrial environments, which favours hydraulic equipment over mechanical in many applications. It also reflects consumer satisfaction with the Division's various product lines, which are being continually improved and extended. During 1975, three new and larger models of the Pressformer II were introduced.

The Division expects to increase its market penetration both in the U.S. and abroad. Pacific's plant in Southern Illinois will be enlarged over the next few years, and additional production equipment will be acquired in order to boost manufacturing capacity.

A decline in sales to Western Europe, which is serviced by a manufacturing licensee in Belgium, was offset by a 50% increase in export sales from the U.S. into other market areas. Demand in South America remained strong and shipments to oil producing countries of the Middle East have greatly increased. Eight machines for a steel building fabricating plant were delivered in 1975 to Kuwait.

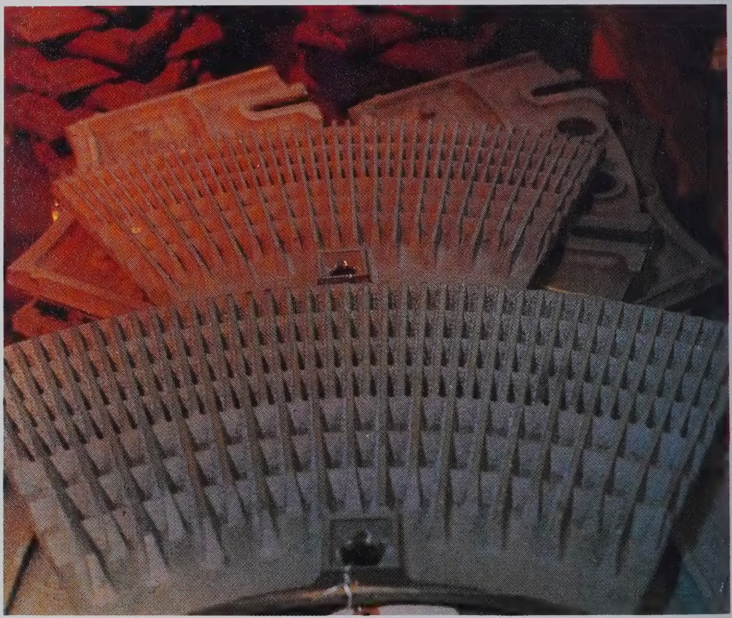
Assembly of a "Pacific" 1500-ton hydraulic press brake at Mt. Carmel, Ill., plant.

Pipe and Foundry Group

Canron ductile iron pipe for water distribution.◁

Installation of Canron plastic conduit for electric power lines.▷

Refiner plates from the alloy foundry, Hamilton.▽



Pressure Pipe Division
Canron Plastics Limited
Foundry Division

Sales and earnings of the group increased in 1975, but not to the level anticipated at the start of the year. The lowest number of housing starts in Canada in five years reduced demand for subdivision water mains, drain waste and vent piping, and electrical conduit and ducting, which are major product lines for the group. With strikes at more than 30 Canadian pulp mills during the year, many orders for the Foundry Division's pulp grinding plates were deferred.

Continuing attention to cost reduction was a major element in the earnings improvement. The group places great emphasis on increasing the efficient use of plants and equipment, on upgrading working conditions to encourage higher productivity, and on conserving materials and energy.

Pressure Pipe

Favorable weather conditions for construction and the ongoing public works programs of a number of Canadian municipalities combined to buoy sales of large diameter concrete pressure pipe. The strength of this product in the market helped the Pressure Pipe Division to increase its sales revenue by 23% over 1974.

A number of large contracts were completed in 1975, including the Bearspaw 96″ water supply main for the City of Calgary and a similar installation for Montreal. Work will conclude in 1976 on approximately 22 miles of concrete pressure pipe for the Halifax Public Services Commission and 29,000 ft. of 108″ diameter concrete pressure pipe for Montreal.

Notable orders received during the year included 64,000 ft. of ductile iron and concrete pressure pipe for St. John's, Newfoundland, 120,000 ft. of ductile iron pipe for Richelieu Valley and 5,000 ft. of large diameter concrete pressure pipe for the continuing expansion of the Montreal Waterworks System.

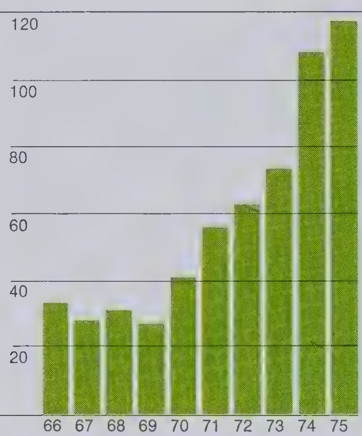
Significant export orders for pressure pipe were received for projects in Indonesia, Chile, Costa Rica and the Ivory Coast.

The Division is continuing its effort to develop improved and less costly methods for producing ductile iron. Work is also going forward on extending the uses and product range of wear resistant pipe, which finds its main application today in moving abrasive ash from coal burning generators and transporting mine tailings.

Capital expenditures in 1975 included the installation of air pollution control equipment at the Calgary plant and new iron pipe cement lining capacity at Trois-Rivières. Demand is increasing for cement lined pipe, which provides resistance to corrosion at little extra cost.

Ni-hard ball mill liners being cast at New Liskeard plant.▷

Pipe Sales
(in millions of dollars)



Expenditures will be higher in 1976. Air pollution abatement equipment is to be installed at Trois-Rivières. This plant is also investigating improved melting facilities to increase capacity and reduce costs. A "Hyprescon" concrete pressure pipe and fittings plant will be built in Western Canada.

The Division expects a slight decline in sales for 1976, reflecting the completion or near-completion of several large, non-recurring installations. Nevertheless, it will be a satisfactory year if housing starts continue their recovery and if the promise of new markets in Africa and the Middle East is realized.

Canron Plastics

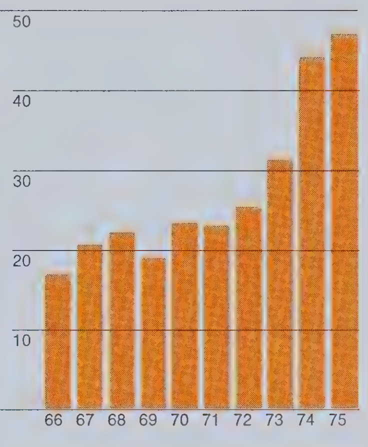
Earnings of Canron Plastics were down from the 1974 record. Still, the Division managed a creditable showing in a very difficult year.

The plastics industry was depressed during the first half of 1975 as customers in all sectors worked to reduce heavy inventories acquired in late 1974. Canron's output of plastic pipe had to be cut back to 50% of capacity for several months until demand returned to a more normal level in the second half of the year. Sales accelerated toward the end of the year and resumption of growth is expected in 1976.

Several developments during 1975 should help the company to improve its position in the highly competitive plastic pipe and fittings industry. Moulds were installed to complete the line of drain, waste and vent fittings required for residential construction. A new line of rigid PVC electrical conduit and fittings was introduced. A sales office was opened in British Columbia to complete coast to coast market coverage.

Construction of a new warehouse and distribution centre was largely completed during 1975 at St. Paul l'Ermite, Quebec. This is the first phase of an expansion project that will continue through the 1970s and will eventually include a new plastic pipe plant.

Foundry Sales
(in millions of dollars)



Foundry

Earnings for the Foundry Division showed continued improvement although they were below the projections made at the start of 1975.

Sales of ingot moulds were below expectations. In the uncertain economic conditions which prevailed throughout the year, major customers in the steel industry reduced their inventories of moulds.

The Canadian pulp industry was plagued by strikes in 1975 and the resulting downtime drastically reduced demand for pulp grinding plates. As a result, the Division's alloy foundry did not operate at full capacity.

Offsetting these reverses was a healthy demand from the mining industry in Canada, the U.S. and abroad for mill liners, the replaceable interior walls used in ore grinding mills. There was also strong demand for street castings. Castings, such as manhole covers and grates, have become a significant product line for the Division since it entered the market with a quality product several years ago.

Raw materials were readily available in 1975 and no shortages are anticipated in 1976. However, prices for pig iron and foundry coke have increased considerably, reflecting higher capital costs and wages in the mining industry and increased transportation rates.

All sales and metallurgical personnel who had previously been dispersed among several offices in Toronto and Hamilton, were relocated to the Division's new headquarters in Burlington, Ontario during the year. This centralization has already brought about improvements in communications and customer service, as well as a reduction in overhead costs.

Manufacture of 84″ diameter concrete pressure pipe at ◁Ville d'Anjou plant.

Railway Equipment Group

Tamper
Matisa Matériel Industriel S.A.

This group was reorganized during the year to interlock the activities of Tamper, based in the United States, and Matisa, based in Switzerland, to more effectively serve the railways on a world-wide basis. The formulation of a unified international marketing policy, a diversified engineering development program and the advantage of international purchasing and manufacturing ability are expected to maximize the business development of this group. Further integration is anticipated in 1976 with increasing benefits to come in following years.

1975 was an excellent year for the group's sales, which were up by 35%, but earnings were not up to expectations. Competition reduced margins on many large contracts and sales of parts were affected by planned depletion of parts inventories by major railroads.

The outlook for 1976 is for almost the reverse of the 1975 experience. Sales are expected to be down slightly while earnings should increase.

The long-range outlook is good. Industrialized countries particularly the U.S., are committing large sums to upgrading and maintaining their rail networks. Developing countries continue to expand their rail transportation systems.

Tamper

A $3.5 million expansion program to double manufacturing capacity and improve working conditions was completed at Tamper's Columbia, South Carolina plant. The additional capacity and improved efficiency of this plant were important considerations in Penn Central's decision to award Tamper an equipment contract valued at more than $5 million.

This unusually large order helped to increase total sales for 1975, but at the cost of reducing margins since price was a major consideration in awarding the contract. A return to a more normal product mix is expected to substantially improve Tamper Division's earnings in 1976.

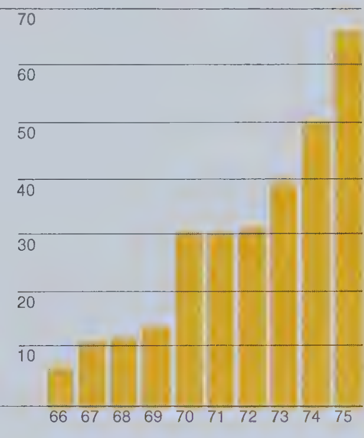
Canadian railway equipment facilities were relocated during the year. They had been centered at the Lachine, Quebec, plant of Canron's former Electrical Division. When this Division was sold, rail equipment manufacturing was moved to available space at Canron's Eastern Avenue plant in Toronto. Equipment sales from Canada were at an exceptionally high level last year as deliveries were made on a major export order.

Heavy duty brush cutter.▽

"Vibratool" – a versatile small tamping machine.△

Modern track renewal train in operation (model P811).▷

Railway Equipment Sales
(in millions of dollars)



Tamper's contracting department in Australia received a contract in 1975 to resurface, line and level some 800 miles of track over a four-and-a-half year period.

New Tamper products were well received by the market. Sales of the torsion beam lifting and lining attachment, introduced in 1975, were greater than expected. Torsion beam tampers were sold in four Latin American countries and in the U.S., Canada, Australia, South Africa and Czechoslovakia. Development of the Trac-Gopher, the first track maintenance machine designed to mechanize the reballasting of road crossings, was completed during the year. Other new products with the potential to enhance the Division's growth will be introduced to the market in late 1976.

Matisa

Matisa's major customers experienced reductions in traffic in a generally uncertain year and as a result there were cutbacks in track maintenance work. Although sales of Matisa were up, substantial price concessions had to be made in order to maintain volume.

Major orders received and completed during the year included a dozen tampers for Japan, seven for Poland and five track measuring cars for Germany.

Almost all of Matisa's production in Switzerland is exported. The continuing strength of the Swiss franc, which tends to increase costs for foreign buyers, had an adverse effect on sales in 1975 and this condition is expected to last through 1976. On the other hand, Switzerland has been experiencing a recession after 25 years of almost uninterrupted growth. This has resulted in an appreciable reduction in the rate of inflation, leading to reduced costs and more readily available raw materials.

The combination of vigorous competition in the industry and the strong franc will likely keep a tight lid on sales prices through 1976. The long-term outlook is highly favourable, however, as new rail networks continue to be built and existing track is being upgraded to permit higher speeds with greater safety.

◁ Switch "Electromatic" tamper with lifter and liner attachment.

New B200 series tamping machine. ▽

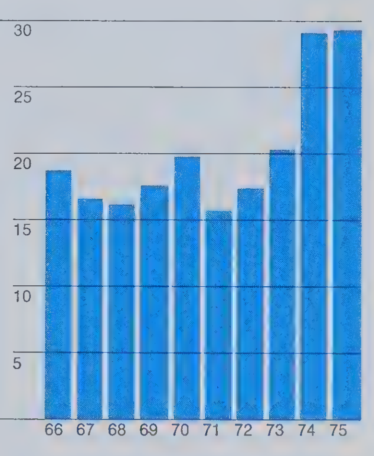
A considerable investment was made in new equipment, including a tape-controlled lathe for the machine shop and a computer system for inventory control and production planning. Economies arising from these installations are expected to be realized in 1976.

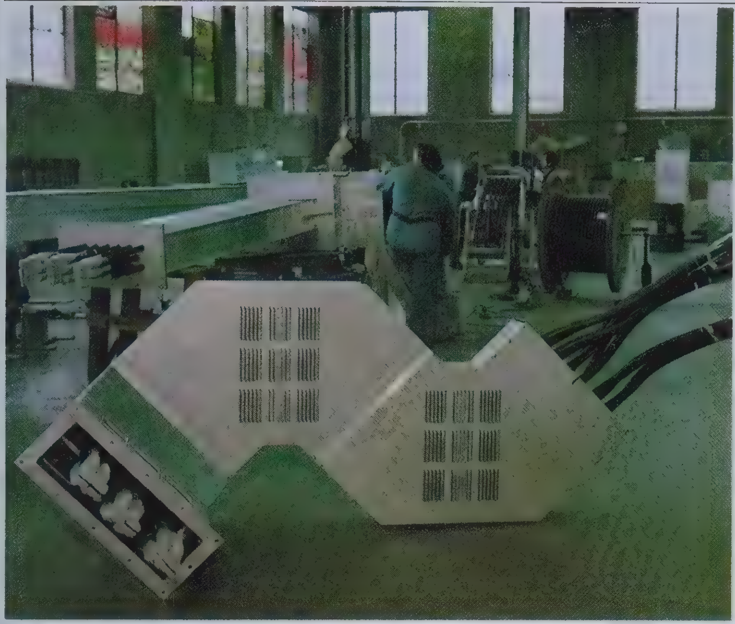
Product development continues to support Matisa's technological superiority in several important areas. The prototype of a new tamping machine, the B-200, was extensively tested in 1975. It will be produced in several versions in 1976. The license for a high capacity ballast cleaner was acquired, and the first production model was delivered. New versions of the highly regarded track measuring cars, capable of higher speeds and more sophisticated analysis of track conditions, were introduced in 1975. In association with an Italian firm, Matisa has built the world's most modern track renewal train, an 85-ton, 222 ft. unit capable of removing old railway ties and rails and laying new ones in a continuous operation.

New M422 Matisa Track Recording Car. △

Sales Agency Operations

Agency and Warehouse Sales
(in millions of dollars)





△ *Assembly of Calvert Electric Bus Duct at Railway & Power's facilities in Toronto.*

◁ *Lighting and seating equipment for rapid transit cars are among the wide range of products distributed by Railway & Power.*

Railway & Power Engineering Corporation, Limited

The decentralization program, started in 1974, was completed last year. Each of five divisions within Railway & Power now concentrates on a specific product range, allowing the sales force to provide more specialized attention to the needs of customers. The program has also enlarged the number of career opportunities for employees with the addition of new managerial positions

All divisions – Transportation, Technical, Industrial, Calvert and Flow Control – met or exceeded their sales targets. Total sales for the year were up 22% from 1974, but lower selling margins, resulting from a return to normal supply-demand ratios after a year of scarcity, held earnings to a modest increase.

A line of valves for the oil and gas pipeline industry, transferred from Canron's Mechanical Division at the end of 1974, contributed significantly to the increased sales volume. There was also substantial demand for stainless steel valves for the petrochemical industry and bearings for the major railways and government grain cars.

Deliveries of aircraft accessories were high for the first time in many years. Railway & Power provides valves for hydraulic and fuel systems, shock mounts for engines and some instrumentation to the aircraft industry.

Sales of Calvert Electric Bus Duct – a flexible, insulated cable laid in a duct to carry high-voltage electrical current – were the best in several years.

Deliveries of couplers for the new Montreal subway cars were started in 1975, and an order for similar equipment was received for Toronto streetcars. These coupler orders, with deliveries extended into 1977, give Railway & Power the largest backlog for a single product line in its history.

During the year a new leased warehouse was opened in Sarnia, Ontario, to serve the regional petrochemical industry. In mid 1976, the Hamilton warehouse will be moved to new and expanded quarters. Railway & Power now has eight warehouse and distribution centres from coast to coast.

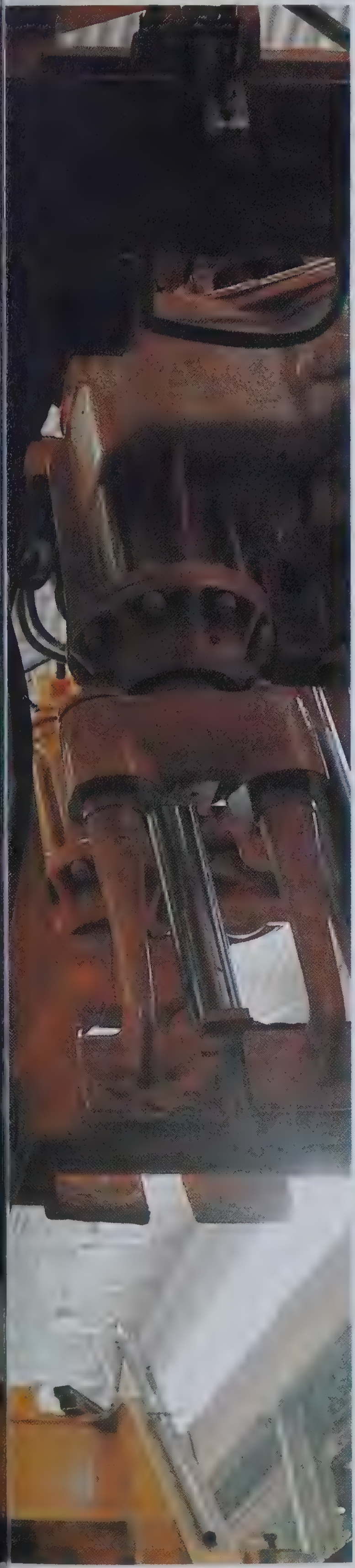
The need for operating capital was substantially higher, at $4.6 million. These funds were required to maintain increased inventories, particularly of valves for the pipeline and petrochemical industries, and to finance a higher level of receivables resulting from increased sales volume and slower collections due to the postal strike.

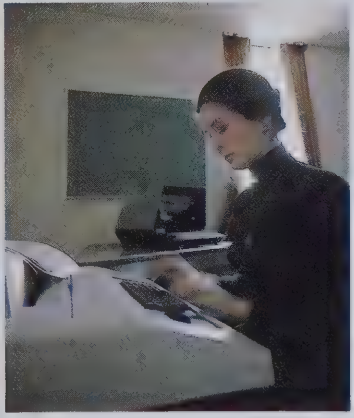
Backlog of orders at the end of 1975 was higher than a year earlier, with three-quarters of the backlog scheduled for delivery in 1976. With these orders in hand, and an anticipated strengthening of the economy in 1976, a substantial sales increase is expected. In the long term, the outlook appears promising for the electric energy, petroleum, pipeline, petrochemical, chemical, rapid transit and aerospace industries, all of which are major customers for Railway & Power's range of products.

Personnel

Agreements reached with unionized employees in 1975 generally followed the pattern set in 1974 but monetary settlements, without exception, were at higher levels with all new contracts including a cost of living escalator clause or its equivalent. Eight agreements, affecting more than 800 employees, were concluded during the year. There were no strikes. Negotiations at one Canadian plant were suspended while two unions contested the right to represent employees and in this case the company unilaterally granted a wage increase when the matter had not been resolved after several months.

The company's traditional practice has been to make improvements to its retirement and other benefit programs at the start of each year. Because of the passage of the federal government's anti-inflation legislation, only those improvements to benefits exempted from the anti-inflation guidelines were made effective as of January 1, 1976. Included were benefits to employees retired or receiving disability payments and increased past service benefits under the retirement plan. The mix of direct compensation and benefits that will emerge in 1976 awaits further interpretation of the guidelines and, in the case of unionized employees, the negotiations that will take place later in the year.





More than six thousand men and women contribute a wide range of skills and talents to Canron's international operations.

The contribution of the various benefit programs to the welfare of employees becomes more significant each year. The company's total benefit package is comparable in all essential respects to those of leading companies of similar size in related industries. Currently, for every $1 which goes to wages and salaries, a further 27 cents is spent for employee benefits such as vacations, statutory holidays, life insurance, medical and dental coverage and pensions.

There were 633 retired employees receiving pensions at the end of 1975. Pensions were also being paid to 72 widows of deceased employees. Long-term disability payments were being made to 51 hourly-paid and 13 salaried employees.

The total number of employees at December 31, 1975 was 6,285. The reduction of 17% from a year earlier reflects mainly the sale of the Warren Pipe Division and the Electrical Division. More than 72% of all employees are located in Canada, mostly in Ontario, Quebec and British Columbia. The majority of employees in foreign locations are found at divisional manufacturing plants in the United States and Switzerland.

Health and safety continue to be a major concern at all levels of management. The company has adopted a policy on health and safety which expresses its determination to provide safe working conditions for all employees. During the year, a survey of in-plant health hazards was completed and programs of corrective action have been initiated.

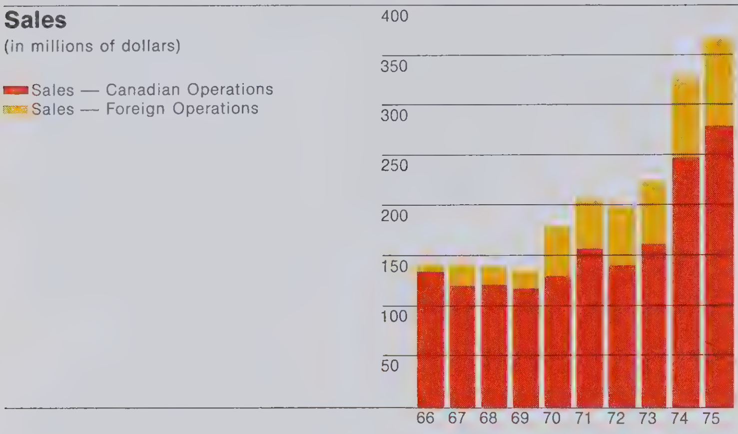
In-plant training continues to grow in importance as a means of assisting employees to upgrade their skills and achieve advancement.

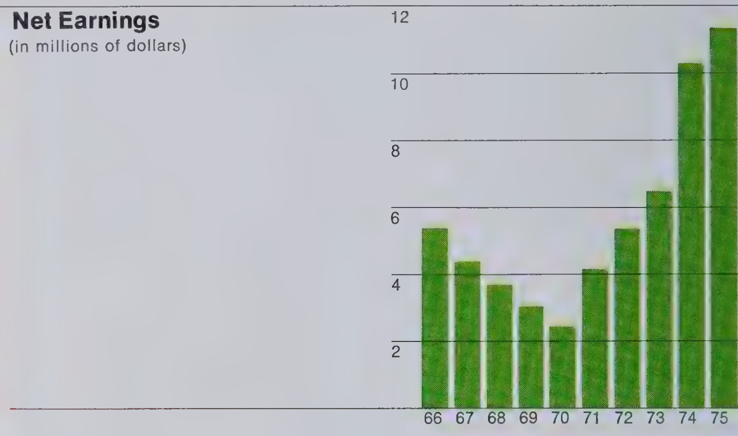
With a view to disseminating information on company affairs internally, a bi-monthly newsletter for management personnel was inaugurated late in the year. It is intended that circulation of the newsletter will gradually be extended throughout the company. As a further step to improve communications within the company, new benefit handbooks for Canadian employees were distributed and meetings held to explain their contents.

A study of current company language practices in Quebec was begun last year and completed early in 1976. This analysis will provide the basis for determining the company's position under Quebec's language legislation.

A. Y. Mitchell, who had served as Assistant Secretary since 1948, retired after 45 years of service with the company.

Financial Review 1975





Summary

Of particular significance this year was the very substantial improvement in the company's financial position with a major reduction in short-term borrowing and a satisfactory increase in working capital.

Sales

1975 sales of $366 million were up $40 million, an additional 12% over 1974. The increase was due to both price and volume changes. All Divisions had higher sales in 1975 while the distribution of sales by product classification also changed somewhat from 1974. Railway equipment and structural steel each increased three percentage points of total sales to 18% and 22% respectively. Pipe dropped one point to 32% due to the inclusion of only nine months of sales in the Warren Pipe Division which was sold in October 1975. Additional detail on sales volume of the product groups is shown in the operating review and also with the financial statements.

Gross Margin

Gross margins (sales less cost of sales) expressed as a percentage of sales were higher in most Divisions. The average increase of one point to 17.8% reflected a higher level of plant utilization. The actual dollar margins also increased in all Divisions except Warren Pipe and Canron Plastics.

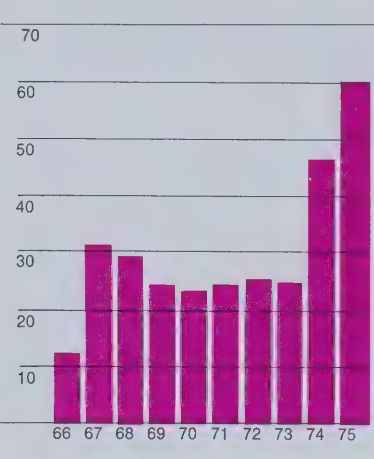
Selling and Administrative Expenses

Selling and administrative expenses were 8.8% of sales, compared with 8.5% in 1974. Higher personnel costs accounted for much of the $4.7 million increase over the previous year.

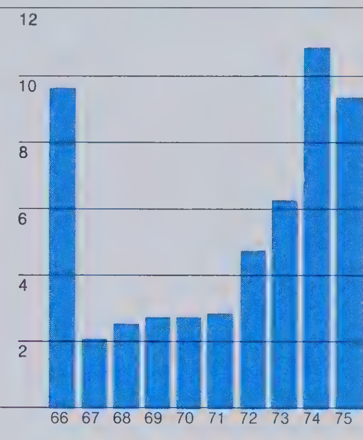
Interest

Interest expense totalling $8.0 million for the year was $236,000 higher than in 1974. The amount of funds borrowed increased sharply in the latter months of the previous year, in contrast to the condition experienced in 1975 when borrowing peaked in the first quarter then declined steadily thereafter. The average amount of

Working Capital
(in millions of dollars)



Capital Expenditures
(in millions of dollars)



borrowing throughout 1975, was higher than in the previous year, but the average rate of interest on the company's total debt was less at 9.5% in 1975, compared with 10.3% in 1974. The net result was that interest expense at 2.2% of 1975 sales was down from 2.4% in 1974.

Earnings, Income Taxes and Extraordinary Items

Earnings before income taxes and extraordinary item at $24.7 million increased 22% over the previous year. The effective tax rate for 1975 was 45% against 44.4% in 1974. The principal sources of taxable earnings occurred in Canada and the U.S. where there were no significant changes in the corporate tax rates from the previous year.

After-tax earnings before extraordinary item were $13.6 million compared with $11.2 million in 1974 – an increase of 21%. Basic earnings per common share were $5.31 against $4.39 last year. On a fully diluted basis, assuming full conversion of the $6.00 Preferred Shares, 1974 Series, earnings were $5.03 and $4.22 per common share for 1975 and 1974 respectively.

The Warren Pipe Division, acquired in 1970, operated profitably in four of the last six years, but the average return on investment was far from satisfactory. When the assets of the Division were sold in 1975, an extraordinary loss of $2.2 million net after-tax resulted. In the previous year there was also an extraordinary loss of $890,000 from the disposal of non-profitable assets. After deducting these extraordinary items, net earnings for 1975 and 1974 were $11.3 million and $10.3 million respectively.

Working Capital

Working capital increased in 1975 by $13.7 million to a balance of $60.5 million at the end of the year. There was a $21.6 million decrease in current assets during the year which included reductions of $9.5 million in trade receivables and $11.5 million in inventories. Current liabilities decreased $35.3 million with accounts payable and accrued liabilities down $7.2 million. The most significant change, however, was bank advances and notes payable – down $30.6 million. Cash received from the sale of the Warren Pipe Division in October 1975 also contributed substantially to increased liquidity. As a result of these changes the 1975 current ratio (current assets/current liabilities) improved to 1.8:1 against 1.4:1 last year.

Fixed Assets

Expenditures for fixed assets totalled $9.4 million for the year while depreciation charges were $6.5 million. For the fourth successive year, expenditures exceeded depreciation. Expenditures were about $3 million less than anticipated mainly as a result of delays and changes in plans for expansion of some manufacturing facilities.

Long-Term Debt

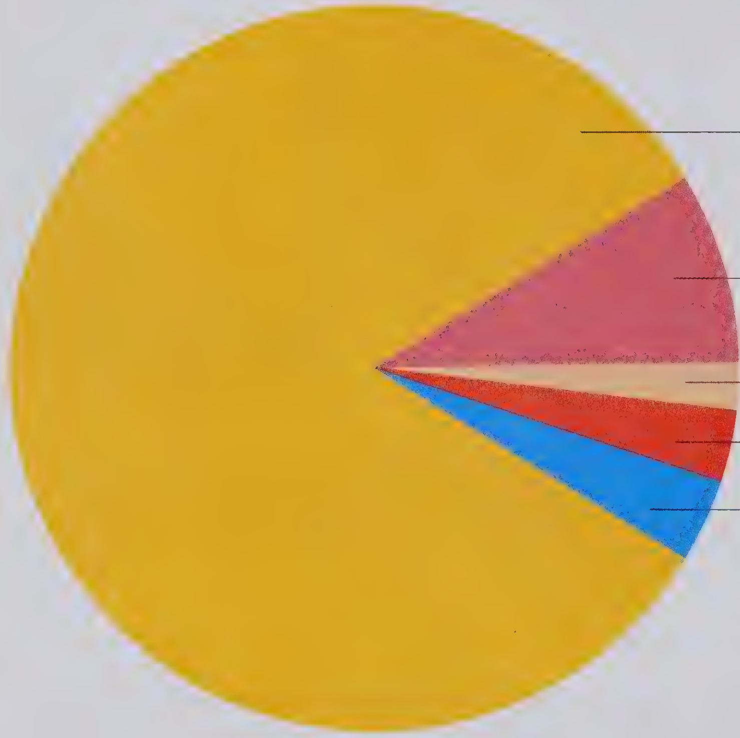
Financing of the plant expansion of Tamper at Columbia, South Carolina, was accomplished by issuing $3.5 million first mortgage industrial revenue bonds. These are tax-free bonds with interest coupons at rates ranging between 8½% and 8⅞% and are repayable in annual instalments over 20 years.

The 1975 ratio of long-term debt to equity was 34:66, compared with 35:65 for 1974. There was a significant improvement, however, in the ratio of total debt (short-term plus long-term) to equity – from 59:41 in 1974 to 46:54 at the end of 1975. The substantial reduction in total debt removes much of the pressure on the company for any early undertaking of new financing.

Stockholders' Equity

Retained earnings increased $7.5 million for the year, raising the book value of each common share by $3.01 to a new high of $24.16. Common shares outstanding at year-end totalling 2,500,694 included 10,540 additional shares issued during the year in exchange for 2,635 shares of the 1974 Series convertible preferred shares.

The 1956 Series preferred share agreement includes provisions for mandatory retirements. In the past, all redemption requirements have been satisfied by open market purchases of the shares. As



Distribution of Sales Dollar

	1975	1974
Cost of Sales	**82.2¢**	83.0¢
Selling and Administrative Expenses	**8.8¢**	8.5¢
Interest Expense	**2.2¢**	2.4¢
Income Taxes	**3.1¢**	2.7¢
Earnings (before extraordinary item)	**3.7¢**	3.4¢
Extraordinary Item	0.6¢	0.2¢
Cash Dividends	1.0¢	1.0¢
Retained Earnings	2.1¢	2.2¢
	3.7¢	3.4¢

sufficient shares had not been accumulated to meet the 1976 retirement fund, 2,785 shares were called by lot on February 25, 1976, for redemption on March 31, 1976, at $102 plus the accrued dividend.

Trading during 1975 in the common stock of the company on the Toronto and Montreal Stock Exchanges totalled 216,906 shares. This was 37% lower than in 1974 and indicative of general conditions in the Canadian equity market. Market activity since year-end substantially increased. Details of the common stock price ranges are tabulated on page 1.

Dividends

Dividend payments in 1975 on common shares represented 29% of net earnings per share for the year. The current quarterly dividend rate on common shares is 40¢ and complies with the limitations imposed by the anti-inflation guidelines for Canadian companies.

Dividends paid on the 4¼ % Preferred, 1956 Series and the $6.00 Preferred, 1974 Series outstanding totalled $340,000 for the year.

Investor Relations Program

A formal investor relations program was initiated in November 1975 to ensure that adequate information regarding the company's operations and objectives is made more readily available to the public. A regular schedule of meetings with representatives of the investment community has been established. An assessment of the results to date indicates that the program is accomplishing the purpose for which it was intended.

Accounting Policies

In the financial review section of the 1974 Annual Report, considerable information was given on the principal accounting policies of the company. This year, a summary of accounting procedures has been included as part of the financial statements. The problem of accounting for inflation continues to occupy the attention of the world's accounting profession. Some progress has been made toward the goal of establishing accounting policies and techniques which will translate the impact of inflation on financial operating results and financial position. However, as there is still no consensus as to the appropriate method of accounting for inflation, the financial data in this report is based on historical costs.

Canron Limited
and subsidiary companies

Consolidated Statement of Financial Position

	as at December 31, 1975	(thousands of dollars) 1975	1974
		$	$
Current assets	Cash	**869**	1,001
	Accounts receivable	**66,986**	76,524
	Inventories (note 2)	**68,946**	80,470
	Prepaid expenses	**713**	1,156
		137,514	159,151
Current liabilities	Bank advances	**20,772**	41,754
	Notes payable		9,640
	Accounts payable and accrued liabilities	**44,280**	51,497
	Dividends	**1,081**	830
	Income taxes – current	**5,881**	3,785
	– deferred relating to contracts	**3,818**	2,770
	Long-term debt maturing within one year	**1,162**	2,006
		76,994	112,282
Working capital		**60,520**	46,869
Fixed and other assets	Property, plant and equipment, at cost less accumulated depreciation (note 3)	**42,044**	44,300
	Long-term accounts receivable	**1,781**	2,474
	Patents – at cost, less amortization	**820**	1,072
	Unamortized debenture discount	**557**	594
		45,202	48,440
Capital employed		**105,722**	95,309
Represented by Deferred income taxes		**5,203**	4,379
Long-term debt (note 4)		**34,472**	32,253
Shareholders' equity	Preferred shares (note 5)	**5,618**	6,003
	Common shares (note 6)	**8,816**	8,552
	Retained earnings (note 5)	**51,613**	44,122
		66,047	58,677
		105,722	95,309

Signed on behalf of the Board,
H. J. Lang, Director
M. W. Mackenzie, Director

See accompanying summary and notes on pages 24 to 27.

Canron Limited
and subsidiary companies

Consolidated Statement of Retained Earnings

	For the year ended December 31, 1975	(thousands of dollars) 1975 $	1974 $
Balance – Beginning of year		**44,122**	37,348
	Net earnings for the year	**11,317**	10,322
		55,439	47,670
	Dividends –		
	Preferred shares	**340**	286
	Common shares	**3,486**	3,112
		3,826	3,398
	Expenses of issue of preferred shares – 1974 series		150
		3,826	3,548
Balance – End of year		**51,613**	44,122

Canron Limited
and subsidiary companies

Consolidated Statement of Earnings

	For the year ended December 31, 1975	(thousands of dollars) 1975 $	1974 $
Sales (note 1)		**365,950**	325,718
Costs and expenses	Cost of sales	**300,955**	270,192
	Selling and administrative	**32,286**	27,553
	Interest	**8,044**	7,808
		341,285	305,553
Earnings before income taxes and extraordinary item		**24,665**	20,165
Income taxes		**11,100**	8,953
Earnings before extraordinary item		**13,565**	11,212
Extraordinary item (note 7)		**(2,248)**	(890)
Net earnings for the year		**11,317**	10,322
Earnings per common share	Basic earnings per common share –		
	Before extraordinary item	**$5.31**	$4.39
	Extraordinary item	**(.90)**	(.36)
	Net earnings	**4.41**	4.03
	Fully diluted earnings per common share –		
	Before extraordinary item	**5.03**	4.22
	Extraordinary item	**(.84)**	(.33)
	Net earnings	**4.19**	3.89

See accompanying summary and notes on pages 24 to 27.

Canron Limited
and subsidiary companies

Consolidated Statement of Changes in Financial Position

	For the year ended December 31, 1975	(thousands of dollars)	
		1975	1974
		$	$
Source of funds	Net earnings before extraordinary item	**13,565**	11,212
	Depreciation and amortization	**6,790**	5,929
	Deferred income taxes	**939**	841
	Provided from operations	**21,294**	17,982
	Proceeds from disposals of fixed assets	**677**	2,505
	Proceeds from issue of – long-term debt	**3,500**	17,100
	– preferred shares – 1974 series		4,850
	Decrease in long-term accounts receivable	**693**	948
	Recovery of income taxes on the sale of assets (note 7)	**2,250**	
		28,414	43,385
Use of funds	Fixed assets – additions	**9,420**	10,870
	– arising from acquisitions		1,512
	Reduction of long-term debt	**1,281**	3,573
	Redemption of preferred shares – 1956 series	**121**	636
	Dividends	**3,826**	3,398
	Reduction of deferred income taxes	**115**	382
	Net loss on sale of current assets – Electrical Division		1,180
		14,763	21,551
Increase in working capital		**13,651**	21,834
Working capital – Beginning of year		**46,869**	25,035
Working capital – End of year		**60,520**	46,869

Auditors' Report to the Shareholders

We have examined the consolidated statement of financial position of Canron Limited and subsidiary companies as at December 31, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand
Chartered Accountants

February 9, 1976

Summary of Significant Accounting Policies

For the year ended December 31, 1975

Consolidation

The consolidated financial statements include the accounts of all subsidiaries from the date of acquisition. All inter-company balances and transactions are eliminated.

Revenue Recognition

Sales and earnings are recorded when the goods are shipped or the services provided to the customer, or when a construction contract is substantially complete. The concept of completed contracts is particularly applicable to the structural steel divisions which accounted for 22% of total sales in 1975. Construction contracts frequently extend over several years, resulting in significant fluctuations in quarterly and annual sales and profit from this source.

Research and Development

Expenditures for product development and research are expensed as incurred.

Income Taxes

Income taxes are based on the earnings reported in the consolidated financial statements. Timing differences for payment of taxes result from deferments of income on contracts in progress, as well as from tax incentives such as accelerated depreciation. Taxes arising from these differences are accounted for as deferred income taxes and are classified as current or non-current liabilities, depending on the nature of the asset against which the difference arises. These timing differences do not reduce the final amount of taxes payable.

Net Earnings per Share

Basic earnings per common share are computed on the basis of the average number of shares outstanding during the period, after deducting the dividends on the preferred shares. The average number of shares used for the computations were 2,491,066 and 2,490,154 for 1975 and 1974.

The fully diluted earnings per common share are computed as though the common shares related to conversions of the preferred shares – 1974 Series had actually been issued at the beginning of the year.

Inventory Valuation

Inventories are valued at the lower of cost or net realizable value. Costs are determined on a first in, first out (FIFO) basis, and manufactured inventories include costs for materials, labour and factory overhead. Costs incurred to date on uncompleted contracts are classified as work in process. Progress billings on contracts are deducted from inventories.

Fixed Assets

Land, buildings, plants and equipment are recorded at cost.

Provision for depreciation is based on the estimated useful life for each major classification of assets, calculated principally on the diminishing balance method. Rates range from 2.5% for some buildings to 30% for automotive and mobile construction equipment.

Maintenance and repairs, and minor replacements are expensed as incurred. Improvements which significantly increase the useful life of the asset are capitalized.

Patents

Patents purchased in prior years are being amortized over twelve years.

Foreign Currency Translation

The net working capital for all foreign subsidiaries including those located in the United States, Switzerland and Australia is translated into Canadian dollars at the rates of exchange in effect at year-end. The remainder of the assets and liabilities are translated at historical exchange rates. Income and expenditures, except for depreciation and amortization, of the foreign subsidiaries on the statement of earnings, are translated at exchange rates effective throughout the year.

Exchange Gains and Losses

Realized gains and losses on foreign exchange transactions are recorded in the period in which they are incurred. Unrealized gains net of unrealized losses are deferred.

Canron Limited
and subsidiary companies

Notes to Consolidated Financial Statements

For the year ended December 31, 1975

1. Product Classification

Sales are classified as follows:

	1975	1974
	%	%
Foundry	**13**	14
Pipe	**32**	33
Machinery	**7**	6
Railway	**18**	15
Structural steel	**22**	19
Agency and warehouse	**8**	9
Electrical		4
	100	100

2. Inventories

The inventories are valued at the lower of cost or net realizable value and comprise:

	(thousands of dollars)	
	1975	1974
	$	$
Finished products	**24,980**	22,959
Work in process	**64,921**	57,535
Raw materials and supplies	**35,433**	43,874
	125,334	124,368
Less: Progress billings	**56,388**	43,898
	68,946	80,470

3. Property, Plant and Equipment

			(thousands of dollars)	
		1975		1974
	Cost	**Accumulated depreciation**	**Net**	Net
	$	$	$	$
Land	**3,800**		**3,800**	4,093
Buildings	**31,920**	**16,251**	**15,669**	14,732
Machinery and equipment	**68,015**	**45,440**	**22,575**	25,475
	103,735	**61,691**	**42,044**	44,300

4. Long-Term Debt

	(thousands of dollars)	
	1975	1974
	$	$
Sinking fund debentures –		
Canron Limited		
6¾% Series D due May 15, 1987	**11,258**	11,400
9¼% Series E due April 1, 1994	**16,000**	16,000
Matisa Matériel Industriel S.A.		
5½% due December 15, 1983	**1,178**	1,229
8½% due October 15, 1986	**1,500**	1,500
Canron Southern, Inc.		
8½% to 8⅞% due in annual instalments to 1994	**3,300**	
	33,236	30,129
Bank Loans		1,600
Mortgages		
3% to 5¾% due at various dates to 1990	**2,398**	2,530
	35,634	34,259
Maturing within one year	**1,162**	2,006
Long-term	**34,472**	32,253
	35,634	34,259

Sinking fund requirements and long-term debt maturities in the next five years are: 1976 – $1,162,000; 1977 – $1,857,000; 1978 – $1,833,000; 1979 – $1,773,000; 1980 – $1,864,000. Bonds repurchased amounting to $142,000 in excess of the cumulative sinking fund requirements at December 31, 1975 have been applied against the 1976 sinking fund.

5. Preferred Shares

	(thousands of dollars)	
	1975	1974
	$	$
Authorized –		
100,000 preferred shares of the par value of $100 each, all of which have been issued		
Outstanding and fully paid –		
8,950 4¼% cumulative redeemable preferred shares – 1956 Series	**895**	1,016
47,232 $6.00 cumulative convertible redeemable preferred shares – 1974 Series	**4,723**	4,987
	5,618	6,003

The 1974 Series preferred shares are each convertible at the option of the holder until April 1, 1984 into four fully paid common shares.

A total of 2,635 shares – 1974 Series were converted in 1975, and 1,211 shares – 1956 Series with a par value of $121,100 were redeemed.

The retained earnings include an amount of $3,380,500 which has been set aside in accordance with the requirements of the Canada Corporations Act equal to the par value of the preferred shares redeemed to date.

6. Common Shares

	(thousands of dollars)	
	1975	1974
	$	$
Authorized –		
6,000,000 common shares of no par value		
Issued and fully paid –		
2,500,694 common shares	**8,816**	8,552

As a result of conversions of preferred shares – 1974 Series, 10,540 common shares were issued during 1975. As at December 31, 1975 there were 188,928 common shares reserved for issue against conversions of the outstanding preferred shares – 1974 Series.

7. Extraordinary Item

The extraordinary item of $2,248,000 arose from the sale of the Warren Pipe Division and comprises a loss of $4,498,000 less income tax reductions of $2,250,000.

The 1974 extraordinary item of $890,000 arose from the sale of various plants and comprises a loss of $2,615,000 less income tax reductions of $1,223,000 and non-taxable gains of $502,000.

8. Pension Plans

Under the pension plans of the company and certain subsidiaries there existed an unfunded past service pension liability estimated at $3,600,000. This liability is being funded by annual instalments over a period not exceeding 25 years.

9. Anti-Inflation Act

Under the terms of the Anti-Inflation Act and Regulations which became effective October 14, 1975, the company is subject to restraint of profit margins (prices), compensation and dividend payments on its Canadian operations. The resulting impact of this legislation on the company's operations is not presently subject to satisfactory determination because of uncertainties regarding application of some of the provisions and definitions contained in the Act and Regulations. However, the company has not made any significant changes in the prices of its principal products subsequent to October 14, and believes that its actions are generally in accordance with the spirit of the legislation.

10. Statutory Information

	(thousands of dollars)	
	1975	1974
	$	$
The following items are included in the consolidated statement of earnings:		
Depreciation	**6,501**	5,640
Amortization of – patents	**252**	253
– debenture discount	**37**	36
Interest on long-term debt	**3,021**	2,553
Remuneration of directors	**55**	48
Remuneration of officers	**1,033**	928
Number of directors and officers:		
Directors	**14**	14
Officers	**11**	11
Officers who are directors	**3**	3

Ten-Year Review

(Dollar amounts in thousands except per share figures)

		1975	1974
For the years ended December 31	Sales	**$ 365,950**	325,718
	Cost of sales	**$ 300,955**	270,192
	Selling and administrative expenses	**$ 32,286**	27,553
	Interest	**$ 8,044**	7,808
	Income taxes	**$ 11,100**	8,953
	Earnings (before extraordinary)	**$ 13,565**	11,212
	As percentage of sales	**3.7%**	3.4
	Extraordinary item	**$ (2,248)**	(890)
	Net earnings	**$ 11,317**	10,322
	Earnings per common share		
	Earnings (before extraordinary)	**$ 5.31**	4.39
	Extraordinary item	**$ (0.90)**	(0.36)
	Dividend paid per common share	**$ 1.30**	1.20
	Capital expenditures	**$ 9,420**	10,870
	Depreciation	**$ 6,501**	5,640
Year-end position	Current assets		
	Accounts receivable	**$ 66,986**	76,524
	Inventories	**$ 68,946**	80,470
	Other	**$ 1,582**	2,157
	Total	**$ 137,514**	159,151
	Current liabilities		
	Bank advances and notes payable	**$ 20,772**	51,394
	Accounts payable and accrued liabilities	**$ 44,280**	51,497
	Other	**$ 11,942**	9,391
	Total	**$ 76,994**	112,282
	Working capital	**$ 60,520**	46,869
	Current ratio	**1.8**	1.4
	Net property plant and equipment	**$ 42,044**	44,300
	Other assets	**$ 3,158**	4,140
	Capital employed	**$ 105,722**	95,309
	Deferred income taxes	**$ 5,203**	4,379
	Long-term debt	**$ 34,472**	32,253
	Shareholders' Equity		
	Preferred	**$ 5,618**	6,003
	Common	**$ 60,429**	52,674
	Total	**$ 66,047**	58,677
	Book value per common share	**$ 24.16**	21.15
	Number of common shareholders	**4,055**	4,044
	Common shares outstanding	**2,500,694**	2,490,154
	Number of employees	**6,285**	7,649

1973	1972	1971	1970	1969	1968	1967	1966
223,857	199,420	205,248	176,698	138,088	141,042	142,011	142,015
186,788	167,063	175,454	150,466	117,790	120,071	118,134	119,660
21,835	19,580	18,550	16,734	13,466	12,226	13,184	10,175
4,139	3,356	3,840	4,652	2,337	1,852	2,061	1,577
4,550	4,040	3,184	2,133	1,985	3,190	4,230	5,175
6,545	5,381	4,220	2,713	2,510	3,703	4,402	5,428
2.9	2.7	2.1	1.5	1.8	2.6	3.1	3.8
—	(30)	—	(180)	493	—	—	—
6,545	5,351	4,220	2,533	3,003	3,703	4,402	5,428
2.60	2.13	1.66	1.05	0.97	1.45	1.72	2.13
—	(0.01)	—	(0.07)	0.20	—	—	—
1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
6,306	4,762	2,877	2,767	2,801	2,601	2,109	9,668
4,838	4,511	4,371	4,134	3,217	3,324	4,108	3,637
49,129	42,491	38,518	38,452	36,794	26,747	28,326	26,617
50,001	36,942	37,590	42,445	39,325	27,573	27,905	26,127
2,078	1,687	2,069	1,619	1,551	1,693	1,806	1,491
101,208	81,120	78,177	82,516	77,670	56,013	58,037	54,235
34,842	20,145	19,772	23,148	21,111	3,406	4,711	19,679
32,648	26,144	26,585	28,799	24,427	14,847	15,391	16,548
8,683	9,055	7,356	6,774	7,825	8,117	6,145	5,185
76,173	55,344	53,713	58,721	53,363	26,370	26,247	41,412
25,035	25,776	24,464	23,795	24,307	29,643	31,790	12,823
1.3	1.5	1.5	1.4	1.5	2.1	2.2	1.3
39,773	37,141	39,493	40,987	34,725	28,516	29,049	29,995
5,037	5,286	4,339	4,536	5,263	4,053	3,738	1,044
69,845	68,203	68,269	69,318	64,295	62,212	64,577	43,862
3,920	3,404	2,800	2,513	2,810	3,000	3,326	2,600
18,386	21,187	24,554	27,405	22,000	20,081	22,811	4,298
1,652	1,709	1,825	1,934	1,978	2,051	2,404	2,629
45,887	41,903	39,117	37,466	37,507	37,080	36,036	34,335
47,539	43,612	40,942	39,400	39,485	39,131	38,440	36,964
18.43	16.83	15.71	15.05	15.07	14.89	14.47	13.79
4,141	4,301	4,687	4,847	4,926	5,072	5,318	5,329
2,489,622	2,489,622	2,489,622	2,489,622	2,489,622	2,489,622	2,489,622	2,489,622
6,573	5,655	6,114	6,655	5,197	5,181	5,224	5,607

Divisions, Subsidiaries and Products

Structural and Machinery Group

W. S. Cullens, Group Vice-President

Eastern Structural Division

N. Dickinson, General Manager
Main office:
100 Disco Road
Rexdale, Ontario
M9W 1M1
Offices:
Montreal, Que.; Rexdale, Ont.
Plants:
Montreal, Que.; Rexdale, Ont.

Western Bridge Division

B. E. Jackson, General Manager
Main office:
145 West First Avenue
Vancouver, B.C.
V5Y 1A2
Offices:
Vancouver, B.C.; Tacoma, Wash.
Plants:
Vancouver, B.C.; Tacoma, Wash.

Structural Steel Fabrication and Erection for Buildings and Bridges
Steel Joists
Tanks and Plate Work
Microwave Structures
Transmission Poles and Towers
Hydraulic Gates
Bulk Loading Terminals
Container Cranes
Gantry Cranes
Conveyor Systems
Shipping Containers
Galvanizing
Warehouse Steel

Mechanical Division

S. R. Palmer, General Manager
Main office:
100 Disco Road
Rexdale, Ontario
M9W 1M1
Offices:
Ville d'Anjou, Que.; Rexdale, Ont.
Plant:
Trois-Rivières, Que.

Pulp and Paper Machinery
Rolling Mill Equipment
Gear Drives
General Machinery
Cranes and Hoists
Valves
Custom Fabrication and Machining

Pacific Press & Shear Company

E. W. Pearson, President
Main office:
421 Pendleton Way
Oakland, California 94621
Offices:
Mount Carmel, Ill.;
Oakland, California
Plant:
Mount Carmel, Ill.

Hydraulic Press Brakes
Hydraulic Shears
Hydraulic Straightside Presses
Pressformers
Dies
Automatic Gauging Equipment
Special Hydraulic Equipment
Hydraulic Control Valves

Pipe and Foundry Group

F. E. Miller, Group Vice-President

Pressure Pipe Division

G. R. Masson, General Manager
Main office:
2120 Sherbrooke St. E.
Montreal, Quebec
H2K 1C3
Offices:
Dartmouth, N.S.; Ville-d'Anjou, Montreal, Trois-Rivières, Quebec City, Que.; Ottawa, Toronto, Ont.; Winnipeg, Man.; Calgary, Alta.; Vancouver, B.C.
Plants:
Ville d'Anjou, Trois-Rivières, Que.; Toronto, Rexdale, Ont.; Calgary, Alta.

Ductile Iron Pipe
Concrete Pressure Pipe
WR Wear Resistant Pipe
Fittings
Hydrants

Canron Plastics Limited

R. A. St. Louis, General Manager
Main office:
9200 blvd. de l'Acadie
Montreal, Quebec
H4N 2T2
Offices:
Montreal, Que.; Rexdale, Ont.; Vancouver, B.C.
Plants:
Berthierville, St. Jacques, Que.; Rexdale, Ont.

Plastic Pipe and Fittings
Water –
- Polyethylene, PVC and CPVC

Waste –
- Drain, Waste and Vent (ABS)
- Sewer (ABS and PVC)

Electrical –
- Underground Duct (PVC)
- Rigid Conduit (PVC)

Foundry Division

J. M. Gandy, General Manager
Main office:
3050 Harvester Road
Burlington, Ontario
L7N 3K7
Offices:
Burlington, New Liskeard, Ont.
Plants:
Hamilton (2), St. Thomas, Toronto, New Liskeard, Ont.

Ingot Moulds
Brakeshoes
Municipal Castings
Mill Liners
Other Grey, Ductile and Alloy Iron Castings
Mine Cars, Cages and Skips

Railway Equipment Group

J. K. Stewart, Group Vice-President

Matisa Matériel Industriel S.A.

R. Schwarz, General Manager
Main office:
Arc-en-Ciel 2, Crissier,
Switzerland
Offices:
Crissier, Switzerland; Bielefeld,
West Germany; Palomba, Italy;
Paris, France; Madrid, Spain;
Bedford, England, Tokyo, Japan
Plants:
Crissier, Renens, Switzerland;
Palomba, Italy

Tamper

G. R. Grinton,
Acting General Manager
Main office:
2401 Edmund Road
West Columbia, S.C. 29169
Offices:
W. Columbia, S.C.; Toronto,
Ont.; Lachine, Que.;
Melbourne, Australia.
Plants:
W. Columbia, S.C.; Toronto,
Ont.; Melbourne, Australia

Fully Automatic Tampers
Power Tamping Jacks
Track Liners and Switchers
Switch Tampers
Ballast Cleaners, Regulators
Ramming Machines
Track Laying and Lifting
Equipment
Track Recording Cars
Spike Pullers and Drivers
Rail Bolters, Drills
and Lubricators
Snow Blowers
Brush Cutters
Motor Cars
Rail Welding and
Reconditioning Equipment
Rail Saws

Sales Agency

C. M. Thomson, Vice-President

Railway & Power Engineering Corporation, Limited

R. J. Conrath, Vice-President
and General Manager
Main office:
3745 St. James St. West
Montreal, Quebec
H4C 1H4
Offices:
New Glasgow, N.S.; Montreal,
Trois-Rivières, Que.; Sarnia,
Toronto, Hamilton, Sault Ste.
Marie, Ont.; Winnipeg, Man.;
Edmonton, Calgary, Alta.;
Vancouver, B.C.
Warehouses:
New Glasgow, N.S.; Montreal,
Que.; Sarnia, Toronto, Hamilton,
Ont.; Winnipeg, Man.;
Edmonton, Alta.;
Vancouver, B.C.

Rail, Truck, Bus
and Aviation Products
Electric Bus Duct
Instrumentation
and Electronic Products
Hydraulic and Pneumatic
Products
Vibration Absorbers
Materials Handling Equipment
Valves
Plastics
Trackwork and Related Supplies
Air Moving
and Conditioning Equipment

Directors and Officers

Directors

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President,
Iron Ore Company of Canada,
Montreal

S. R. Blair
President
and Chief Executive Officer,
The Alberta Gas Trunk Line
Company Limited,
Calgary

P. Côté
President,
Laiterie Laval Limitée,
Quebec

J. S. Dinnick
Honorary Chairman,
McLeod, Young, Weir
& Company Limited,
Toronto

T. M. Galt
President
and Chief Executive Officer,
Sun Life Assurance
Company of Canada,
Montreal

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Retired, formerly President
and Chief Executive Officer,
Canadian Pacific Air Lines,
Limited,
Vancouver

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President
and Chief Executive Officer,
Polar Gas Project,
Toronto

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Partner,
Ogilvy, Cope, Porteous,
Montgomery, Renault, Clarke
& Kirkpatrick,
Montreal

H. J. Lang
Chairman
and Chief Executive Officer,
Canron Limited,
Montreal

M. W. Mackenzie
Vice-Chairman,
Canron Limited,
Montreal

C. S. Malone
President
and Chief Operating Officer,
Canron Limited,
Montreal

P. L. Paré
President
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Imasco Limited,
Montreal

C. Perreault
President,
Perconsult Ltd.,
Montreal

F. H. Sherman
President
and Chief Executive Officer,
Dominion Foundries
and Steel Limited,
Hamilton

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Ross Clarkson
A. D. McCall
H. E. McKeen

Officers

H. J. Lang
Chairman
and Chief Executive Officer

M. W. Mackenzie
Vice-Chairman

C. S. Malone
President
and Chief Operating Officer

P. M. Draper
Vice-President and Secretary

W. I. Niles
Vice-President, Finance

W. S. Cullens
Group Vice-President

F. E. Miller
Group Vice-President

J. K. Stewart
Group Vice-President

C. M. Thomson
Vice-President

M. D. Calder
Controller

W. D. Moncur
Treasurer

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J. D. Houlding
J. G. Kirkpatrick
H. J. Lang
M. W. Mackenzie
C. S. Malone
P. L. Paré

Audit

W. J. Bennett
J. D. Houlding
J. G. Kirkpatrick
M. W. Mackenzie
C. Perreault

Salary & Benefit

J. G. Kirkpatrick
H. J. Lang
M. W. Mackenzie
P. L. Paré
F. H. Sherman

Annual Meeting:

The sixtieth annual meeting of shareholders will be held in Salon Viger, Château Champlain Hotel, Montreal, Quebec, on Wednesday, April 28, 1976, at 11:00 a.m.

Head Office:

1 Place Ville Marie
Montreal, Quebec
H3B 2A8

Stock Listings:

Montreal, Toronto and Vancouver Stock Exchanges

Transfer Agent:

Montreal Trust Company, Montreal, Toronto, Halifax, Winnipeg, Regina, Calgary, Vancouver

Registrar:

The Royal Trust Company, Montreal, Toronto, Halifax, Winnipeg, Regina, Calgary, Vancouver

Si vous préférez recevoir ce rapport annuel en français, prière d'en aviser le secrétaire de Canron Limitée,
1 Place Ville Marie,
Montréal, Québec,
H3B 2A8

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